



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

January 24, 2008

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Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "WTF", followed by a horizontal line.

WASHINGTON, D.C. UPDATE

Economic Stimulus Package and Medicaid

Today, the Bush Administration and House leadership reached agreement on an economic stimulus package built around rebates for taxpayers and tax incentives for business investment. Under the agreement, rebates would go to taxpayers, including those who earn at least \$3,000 a year, but do not pay Federal income taxes. It also includes tax incentives for businesses to buy new equipment, tax breaks for small businesses, and increases in the size of mortgage loans insured by the Federal Housing Administration (FHA) or purchased by Fannie Mae and Freddie Mac. The new loan limit would be 125 percent of the median area home price, capped at \$730,000. The higher loan limit is important in high cost areas, such as Los Angeles County, where the median home price is far higher than the current \$417,000 loan limit for Fannie Mae and Freddie Mac and \$362,000 limit for FHA loans.

The economic stimulus package, however, does not include any increased funding for Medicaid or any other fiscal relief for State and local governments. In contrast, the last stimulus package, which was enacted by Congress in 2003 (Public Law 108-27), included an estimated \$20 billion in fiscal relief for states, half of which was provided through a temporary increase in the Federal Medicaid match rate [i.e., Federal Medical Assistance Percentage (FMAP)] of 2.95 percentage points for five calendar quarters. In 2003, the original economic stimulus package did not include any fiscal relief for states;

instead, the temporary Medicaid FMAP increase was added in the Senate to secure the votes of Republican and Democratic moderates needed for the entire package to pass the Senate.

There is strong bipartisan interest in quickly passing an economic stimulus package. Senate Finance Committee action on a stimulus package has been scheduled for next week, and both Senate Majority Leader Reid (D-NV) and Senate Finance Chairman Baucus (D-MT) have indicated that the Senate will draft its own package, which would include spending provisions.

Pursuit of County Positions on Legislation: California and the County would benefit from a temporary FMAP increase for Medicaid, which would increase the amount of Federal matching funds. The financial benefits of any FMAP increase to the County, however, would be more than offset if the Centers for Medicare and Medicaid Services (CMS) were to implement its various administrative proposals that would reduce Medicaid payments and eligible costs. As reported previously to your Board, CMS has proposed a series of regulatory changes that would reduce Medicaid revenue to the State and County, including by reducing Medicaid payments to government providers, eliminating Medicaid payments for Graduate Medical Education (GME) costs, and narrowing the scope of hospital outpatient services, rehabilitative services, and targeted case management services that are reimbursable by Medicaid.

The proposed government provider payment limit alone could result in an estimated \$200 million a year loss in Medicaid revenue to the County. CMS is prohibited from implementing the interim final rule on the government provider payment limit and the proposed GME rule under a one-year moratorium enacted last year, which expires on May 25, 2008. The National Governors Association and National Association of Counties both have sent letters to Congress urging that the economic stimulus package include a temporary FMAP increase for Medicaid as well as a moratorium to block the implementation of all the pending administrative proposals that would reduce Medicaid payments.

The Federal Agenda, adopted by your Board, includes policies to support increases in California's FMAP and in Medicaid payments, including disproportionate share hospital payments, to health safety net providers, and to oppose proposals which would increase the County's unreimbursed costs, such as those which would reduce the level of Medicaid payments and the scope of Medicaid covered services and persons. **Based on these policies, the County's Washington, D.C. advocates will pursue language which would increase California's FMAP for Medicaid, increase Medicaid funding for safety net providers, such as the County, and block or delay the implementation of any regulations or administrative actions that would reduce Medicaid payments or the scope of Medicaid covered services in an**

Each Supervisor
January 24, 2008
Page 3

economic stimulus package or another legislative vehicle. Based on policies in the Federal Agenda to support proposals which would maximize Federal revenue to the County and which would provide a greater share of total available Federal funding to the County, the County's Washington, D.C. advocates also will pursue language which would maximize the financial benefits to the County from any economic stimulus legislation.

We will continue to keep you advised.

WTF:GK
MAL:MT:sv

c: All Department Heads
Legislative Strategist